

Message Text

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C O R R E C T E D C O P Y (PARA 8 SHOULD READ PARA 7)

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SUBJECT: GOI ECONOMIC REPORT FOR 1975

/SUMMARY/. GOI ECONOMIC REPORT FOR 1975 (ALSO CONTAINING
REVISED DATA 1971 THROUGH 1974) RELEASED ON MARCH 31 SHOWS
GDP /DECREASE/ OF 3.7 PERCENT, REFLECTING REDUCED BUSINESS
ACTIVITY BECAUSE OF RECESSION. THIS IS FIRST TIME IN POST-WAR
PERIOD THAT ITALY REGISTERED A DECLINE IN GDP.
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GROWTH RATES OF 3.4 PERCENT AND 6.8 PERCENT WERE REGISTERED
IN 1974 AND 1973, RESPECTIVELY. /END SUMMARY/.

1. /INTRODUCTION/. IN 1975 ITALY'S GDP ROSE TO 112/358

BILLION LIRE (99,239 BILLION IN 1974), REPRESENTING AN INCREASE OF 13.2 PERCENT IN MONETARY TERMS AND A DECREASE, FOR THE FIRST TIME IN POST-WAR PERIOD, OF 3.7 PERCENT IN REAL TERMS. COMPARABLE GROWTH RATES FOR 1974 WERE INCREASES OF 20.8 PERCENT AND 3.4 PERCENT RESPECTIVELY, AS REFLECTED IN REVISED 1974 GDP DATA CONTAINED IN 1975 ECONOMIC REPORT. TOTAL GROSS FIXED DOMESTIC INVESTMENTS IN REAL TERMS DECLINED BY 12.7 PERCENT OVER 1974 LEVEL, COMPARED TO A RISE OF 3.7 PERCENT IN 1974. AVERAGE UNEMPLOYMENT RATE DURING 1975 WAS 3.3 PERCENT OF LABOR FORCE (2.9 PERCENT IN 1974) WITH SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY EARNERS IN 1975 RISING TO 70.7 PERCENT (68.1 PERCENT IN 1974), LARGELY AS A RESULT OF NEW COLLECTIVE BARGAINING CONTRACTS AND OF STRONG INCREASES ACTIVATED BY THE COST OF LIVING SLIDING SCALE. ITALY'S "ECONOMIC" BALANCE OF PAYMENTS ON GOODS AND SERVICES IN CURRENT LIRE WAS IN DEFICIT BY 516 BILLION LIRE. THIS COMPARED WITH DEFICIT OF 5,156 BILLION LIRE IN 1974, AND DEFICIT OF 1,715 BILLION LIRE IN 1973.

2. /SOURCES OF INCOME/. ON SUPPLY SIDE GDP IN INDUSTRY DECLINED BY 9.1 PERCENT IN REAL TERMS. ON OTHER HAND, OUTPUT OF AGRICULTURE AND RELATED SECTORS INCREASED BY 2.5 PERCENT IN REAL TERMS, TERTIARY (SERVICE) ACTIVITIES BY 0.4 PERCENT. IMPORTS OF GOODS AND SERVICES DECLINED BY 10.0 PERCENT IN REAL TERMS TO 12,063 BILLION LIRE COMPARED WITH 1974 RISE OF 2.0 PERCENT TO 13,408 BILLION LIRE.

3. /USES OF INCOME/. ON DEMAND SIDE GROSS DOMESTIC INVESTMENT DECLINED BY 24.0 PERCENT TO 11,270 BILLION LIRE (AT CONSTANT 1970 PRICES), COMPARED WITH INCREASES OF 0.2 PERCENT AND 19.1 PERCENT IN 1974 AND 1973, RESPECTIVELY. THIS REFLECTED LARGE RUNDOWN OF INVENTORIES IN REAL TERMS, AS GROSS FIXED INVESTMENT ALONE DECLINED BY 12.7 PERCENT IN REAL TERMS (INCREASE OF 3.7 PERCENT IN 1974). INVESTMENT IN INDUSTRIAL ACTIVITIES DECLINED BY 20.0 PERCENT, IN SERVICE ACTIVITIES BY 10.2 PERCENT, AND IN PUBLIC ADMINISTRATION UNCLASSIFIED

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BY 12.2 PERCENT, WHEREAS FIXED INVESTMENT IN AGRICULTURE AND RELATED SECTORS ROSE BY 2.8 PERCENT IN REAL TERMS. IN 1975 GROSS FIXED INVESTMENT AS PERCENTAGE OF GDP WAS 18.3 PERCENT COMPARED WITH 20.2 PERCENT IN 1974. PUBLIC CONSUMPTION INCREASED BY 0.8 PERCENT TO 8,776 BILLION LIRE, COMPARED WITH INCREASE OF 2.1 PERCENT IN 1974, WHILE REAL PRIVATE CONSUMPTION IN 1975 DECLINED BY 1.8 PERCENT TO 42,519 BILLION LIRE (43,304 BILLION IN 1974). MEASURED ON NATIONAL ACCOUNTS BASIS EXPORTS OF GOODS AND SERVICES ROSE BY 3.1 PERCENT IN REAL TERMS TO 14,043 BILLION LIRE COMPARED WITH AN INCREASE IN 1974 OF 10.0 PERCENT TO 13,622 BILLION LIRE.

4. FOLLOWING IS BREAKDOWN GDP IN BILLIONS OF CURRENT

AND CONSTANT (1970) LIRE FOR 1975 AND 1974:

BIL. CUR. LIRE BIL. CONSTANT

(1970) LIRE

1974 1975 1974 1975

PRIVATE CONSUMPTION	65,833	75,879	43,304	41,519
PUBLIC CONSUMPTION	14,012	15,542	8,707	8,776
GROSS FIXED INVEST.	22,831	23,807	13,555	11,827
CHANGE IN STOCKS	2,711	-1,374	1,273	-557
EXPORTS G&S	22,871	26,287	13,622	14,043
IMPORTS G&S	29,019	27,783	13,408	12,063

GDP AT MARKET PRICES 99,239 112,358 67,053 64,545

5. /LABOR AND EMPLOYMENT/: EMPLOYMENT ON AVERAGE ROSE BY 98,000 UNITS DURING 1975 DESPITE DECREASE IN INDUSTRIAL PRODUCTION REGISTERED IN THE FIRST ELEVEN MONTHS OF YEAR. WAGE CONTRACT SETTLEMENTS CONCLUDED IN 1975 AND QUARTERLY REVISIONS BASED ON COST OF LIVING SLIDING SCALE CONTINUED TO PUSH UP LABOR COSTS. SHARE OF NATIONAL INCOME ACCRUING TO WAGE AND SALARY EARNERS IN 1975 ROSE TO 70.7 PERCENT COMPARED WITH 64.7 PERCENT IN 1974 AND 64.7 PERCENT IN 1973. IN 1975 AVERAGE UNEMPLOYMENT RATE ROSE TO 3.3 PERCENT COMPARED WITH 2.9 PERCENT IN 1974.

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6. PRICES. IN 1975 WHOLESALE PRICES ON AVERAGE ROSE BY 8.6 PERCENT, CONSUMER PRICES BY 17.0 PERCENT, AND COST OF LIVING BY 17.2 PERCENT. GDP DEFLATOR WAS 17.5 PERCENT (COMPARED TO 16.8 PERCENT IN 1974).

7. XBALANCE OF PAYMENTS/. PROVISIONAL BALANCE OF PAYMENTS IN LIRE (AND IN DOLLARS CONVERTED BY EMBASSY AT DLR 1.00 EQUALS 653 LIRE) FOLLOWS:

ECONOMIC BALANCE OF PAYMENTS

BIL. OF LIRE MIL. OF DLR

3EXPORTS, F.O.B.	22,458	34,392
IMPORTS, F.O.B.	23,203	35,533
TRADE	- 745	-1,141
(OIL)	(-4,206)	(-6,441)
SERVICES	229	351

BALANCE G&S	- 516	- 790
UNILATERAL TRANS.	173	265
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CURRENT ACT. BAL.	- 343	- 525
CAP. ACT/E&O 1)	- 998	-1,528
EXC. ADJUSTMENT	-	49
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DEFICIT	- 1,341	-2,004
VOLPE		

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